CITY OF FRESNO

Fresno Alternative Mass Transportation Pre-Major Investment Study

Technical Memorandum #2

Economic and Land Use Assessment

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Executive Summary

As the second technical memorandum prepared for the Fresno Pre-Major Investment Study (Pre-MIS), this report assesses the economic and land use issues associated with the potential implementation of high capacity transit technologies on four proposed corridors. These corridors include Blackstone Avenue, Cedar Avenue, Ventura/Kings Canyon, and Shaw Avenue.

The configuration of existing land uses and development patterns is a key consideration in determining which corridors are best suited for high capacity transit. However, this memorandum is concerned not so much with present conditions as with the potential of each of the corridors to redevelop with more transit-supportive land use patterns over the long term.

Conclusions are based on both quantitative data and qualitative sources. Quantitative data include demographic and housing information from the U.S. Census, land use and valuation data from the Fresno County Assessor's Office, and information on real estate vacancy levels, rents, and land prices gathered from a variety of sources. Qualitative sources include interviews with a range of brokers, developers, and others familiar with the real estate market in Fresno.

The key findings of the assessment are summarized below:

Commercial development, both retail and office, is moving north, away from the study corridors.

The northern end of Blackstone has become the city's most desirable area for retail development. Although this is spurring some redevelopment of properties to the south, most of the current activity is north of Highway 41, beyond the proposed transit corridor. The City of Clovis has also built a significant amount of retail space, potentially reducing future retail development in Fresno. The main exception to this pattern is a rejuvenation of the retail market in the southeastern portion of the city, on and near the Ventura/Kings Canyon corridor, which is beginning to see significant investment.

Office development continues to move north, following the pattern set over the last half century. The area north of Herndon Avenue is the most popular location for new office space due to the amount of available land and freeway access. Older office areas such as Shaw suffer from congestion and obsolete space, and draw mainly small local-serving professionals. Other than the northernmost end of Blackstone and the eastern end of the Ventura/Kings Canyon corridor, the study corridors do not appear to be in a favorable position to attract office development.

Partial exceptions to this pattern are the downtown area, which is seeing an increase in office space built for the public sector, and the southeastern portion of the city, where a planned business park will include some office space. However, these facts do not signal

a shift away from the preferred northern areas: the private sector has so far shown little inclination to build office space downtown, and the nature of the business park (which will include industrial space) implies that the southeast will not compete with the northern areas for prime office space.

Residential development is following a different pattern, with more areas experiencing growth.

The city's General Plan projects that the Community Plan Areas that will experience the greatest net addition of new population are all in the southern and western portions of the city, as well as in areas of the county just beyond the southeastern corner of Fresno.

This view appears to be playing out on the ground. As land values have increased in the northern areas of the city, there has been increased residential activity in other areas, including the southeastern area of the city. There is new residential development occurring in that area, which is spurring some redevelopment of retail properties for neighborhood-serving uses.

Other than the Cedar corridor, none of the other corridors currently appear to have significant potential for residential development, although Shaw connects to quickly-growing areas (the area west of Highway 99 and Clovis) and some developers see future potential in the Blackstone corridor.

Residential development potential is a more important consideration when making transit decisions than commercial development potential.

First, the residential real estate market is currently stronger than the commercial market. Given the economic downturn and the amount of vacant commercial space in the city, there is little demand for new office space. The market for retail development is healthier, but prime locations for regional projects are very concentrated geographically. The residential market, in contrast, is being driven by strong projected population growth. The multi-family housing market is seeing a resurgence and there is an opportunity to build a significant number of new apartments—and possibly condos—to meet pent-up demand. Residential development has the best prospects for the near future, and since the study corridors are unlikely to capture much commercial growth, residential growth is the best option for spurring redevelopment along any future transit line.

Second, interviews with real estate brokers suggest that transit has no impact on location decisions for commercial tenants, while it has at least some impact on residential decisions. This is particularly true in the case of the more transit-dependent population.

It is important to consider what kind of housing will be developed, not just how much.

Although the corridor selected should show potential for residential growth, it should also show potential for creating a mix of housing types that includes multi-family housing, a

mixture of rental and ownership units and, if feasible, infill projects on the corridor itself. This will ensure that the development supports higher ridership while also helping to ensure that the most transit-dependent segments of the population will have housing choices along the new transit corridor.

Because of equity and ridership concerns, corridor selection should take into account population characteristics such as vehicle access and transit ridership, as well as the suitability of corridors for multi-family housing, especially rental housing. Although it is not possible to obtain figures on vehicle access in single-family homes compared to condominiums, it is likely that the former figure is higher, even if the disparity is not as great as the difference between ownership and rental housing. This suggests that it is desirable to select a corridor conducive to the development of multi-family housing, both rental apartments and condominiums.

Although extremely high densities are not needed, careful attention is needed to ensure that appropriate densities and a mix of housing types becomes the norm around any transit corridor. Densities could be increased over time, perhaps by identifying certain key nodes and reserving them until land values are higher and higher densities are possible.

Transit can provide a moderate stimulus to development when conditions are right.

A literature review reveals that, in general, the introduction of a rail system raises land values and real estate prices in the surrounding area. However, transit alone cannot stimulate new development—other supporting market conditions must be in place.

The first phase of any high-capacity transit system should serve downtown.

Downtown Fresno has an important concentration of jobs, and if city efforts are successful, Downtown's role as an activity center will continue to increase in importance. Given the scarcity of housing Downtown and the consequent need to commute to the jobs there, high-capacity transit could play an important role in helping to solidify the role of the area as a major job center. As the most pedestrian-friendly of the city's major activity centers, Downtown is also already designed to work well with transit. Moreover, the Downtown population is extremely transit-dependent and would benefit from better transit connections to jobs and services.

Finally, there is evidence that a market for Downtown housing is developing. Two projects discussed in this study will add nearly 200 units of housing to the Downtown area, as well as retail space. Residents of these projects are expected to own fewer cars than they would in other parts of the city, as evidenced by the zoning variance granted to one project, which allows a lower parking ratio. High-capacity transit that connects to Downtown could serve not only to bring residents of the corridors served into Downtown, but also to strengthen the Downtown housing market by providing more mobility options for the area's residents.

The Ventura/Kings Canyon corridor and the Blackstone corridor represent the best opportunities to capitalize on residential growth to establish transit-supportive land use patterns.

Based on the analysis conducted in this study, of the four corridors the Ventura/Kings Canyon corridor seems best poised to take advantage of market conditions to establish a new relationship between transit and development. The market for multi-family housing is quite strong and growing stronger, and this is spurring neighborhood-serving retail development. This corridor has significant development potential since it runs through one of the areas projected to grow most quickly—the Roosevelt Community Plan Area—and if extended could run through another, the Southeast Growth Area. Development potential is already manifest in the retail and residential projects being planned for that area, as well as the increasing land prices. The corridor also connects to Downtown, providing an important connection between major population growth areas and the downtown core that the city is trying to reinforce. Given that 55,000 new residents are projected to move to the Southeast Growth Area in the next 20 years, the proposed transit corridor could be extended to the east in order to serve that area.

Furthermore, there are strong equity arguments in favor of the Ventura/Kings Canyon corridor, which compared to the other corridors has below-average median income and automobile access, and above-average transit ridership, household size, and Hispanic population.

Although the Blackstone corridor is not projected to see as much residential growth as the Ventura/Kings Canyon corridor, some developers see it as an opportunity. The corridor is anchored by Downtown in the south and by a strong market for commercial real estate in the north. Fresno City College also lies along the corridor. The fact that the corridor connects these uses, plus the perception that Blackstone is safer than parts of Ventura/Kings Canyon and the city-wide orientation of its retail (as opposed to the neighborhood trade area served by Ventura/Kings Canyon retail), lead some to suggest that it may be a more promising transit corridor, although its potential for transit-supportive development is still uncertain.

Since Blackstone and Shaw both have strong arguments in their favor, any investments should be made as part of a larger plan to eventually connect these corridors together into an integrated high-capacity transit system.

All corridors have a combination of one or more obstacles to effective redevelopment.

In the case of Blackstone, growth is concentrated in the northern end and composed mainly of regional retail centers and some new office space, which are not designed to work well with transit. Although much of the corridor south of Shaw is in a Redevelopment Project Area, any redevelopment would be very complex and expensive given the amount of existing development and land prices. Given that there is little market

support for redevelopment farther south along the corridor, aggressive public involvement would be necessary to stimulate significant change.

Although Shaw has a number of key activity centers, such as Fresno State and some major retail developments, land use patterns and design are not transit supportive in most cases. Moreover, Shaw does not connect to downtown or to any of the key areas of residential growth. In addition, given the condition of the office development in the corridor, which is past its prime but not yet completely obsolete, significant new development or redevelopment does not appear to be financially feasible.

Cedar shares Shaw's problem of not connecting to downtown, and although it does serve the Roosevelt Plan Area that is projected to add a significant number of new residents, most of the corridor is lacking in both major destinations and significant potential for growth.

While the Ventura/Kings Canyon corridor shows the most potential, there may be political resistance to developing more higher-density housing in that area, since that part of the city already contains a significant amount of multi-family housing. Moreover, the small parcel sizes, the cost and complexity of redevelopment, rising land costs, and safety concerns may prove difficult to overcome, particularly in the part of the corridor closest to Downtown.

Given the existing conditions in the corridors, strong public policy is required to stimulate redevelopment and infill. The city is making progress implementing supportive policies, but more remains to be done.

The developers interviewed reported that city staff are generally responsive to their concerns. However, they pointed out some areas that could use improvement. One developer said that the process for getting variances is very slow. Another said that while the Development Department has been quite proactive in encouraging mixed-use infill development, the challenges inherent in this type of development go beyond the scope of that department, and that other city departments could play a larger role in facilitating this work.

While the General Plan is supportive of creating transit corridors, some of the specific land use visions fall short. For example, Blackstone is currently zoned exclusively for commercial development. A pending mixed-use ordinance would allow residential and mixed-use development in commercially zoned areas, as well as mixed-use residential and retail in office areas (housing is currently allowed in office areas under certain conditions). This is a significant step towards creating more flexibility in the city's land use policies in order to further the goal of mixed-use and infill development.

There is tenuous support by the market and the public at large for infill housing in the corridors.

Even with supportive land use policies, there is no guarantee of infill development actually occurring. Public opposition can be one factor, as in the case of a 1.5 acre property at Clinton and Winery avenues, for which the developer requested a zoning change in order to build at a density of approximately 4.5 units per acre—a fairly typical suburban density, and one that is far too low to support transit. The Planning Commission voted to deny the request due to opposition from neighbors accustomed to large lots and low densities.[1]

Moreover, the market for mixed-use and infill projects is relatively untested, as the developers of two such projects in the Downtown have found. Such projects are not currently viable without public support. Much is riding on these pioneering efforts, which, if successful, would serve as powerful demonstrations of the viability of this type of development and pave the way for more such projects.

Likewise, the housing market in southeastern part of Fresno is also untested, although several recent projects seem likely to fortify its standing. Still, even if housing construction in that part of the city proves popular and successful, it is unclear how strong the market would be for infill projects and more urban-style mixed-use projects along Ventura/Kings Canyon itself. Although the housing market appears stronger there than in any other of the proposed corridors, with the possible exception of the eastern end of Shaw, encouraging urban densities and infill development along the transit corridor itself will require commitment on the part of the public sector, collaboration with the private sector, and public support. An affordable housing infill project currently under development illustrates the challenges that any such development, including market-rate projects, would face.

Given the untested market and the complexities and cost of infill development, significant public involvement would be necessary to encourage transit-supportive development along the two corridors, particularly the southern part of the Blackstone corridor and the western part of the Ventura/Kings Canyon corridor.

The experience of the two downtown infill housing projects now in process, as well as a housing development by a non-profit developer in the Ventura/Kings Canyon corridor, yields lessons for any similar projects attempted in the Ventura/Kings Canyon and Blackstone corridors. However, developers stressed that the markets in the corridors are very different from the downtown market. Market-rate infill housing on underutilized parcels along the corridors does not appear viable at present, but further study would be necessary to determine how much public support would be needed.

Large portions of the Ventura/Kings Canyon corridor and the Blackstone corridor are included in Redevelopment Project Areas, making more active public involvement possible to supplement the market forces that are already supportive of redevelopment.

[1] *Fresno Planners Reject Infill*, The Fresno Bee, Friday, October 17, 2003

Less public involvement in the redevelopment process might be needed in the Ventura/Kings Canyon corridor given that land values are relatively low compared to some of the other corridors and that the conditions seem relatively favorable for redevelopment.

Good urban design and amenities will be key to the success of any corridor.

High-quality design is crucial for making development work with transit and for making higher-density residential environments more acceptable in the marketplace. This will be particularly true along a corridor such as Blackstone, where heavy traffic, large commercial lots, and other aspects of the corridor would need to be overcome in order to create a high-quality residential environment that would be successful in the market.

Even more fundamentally, given that the residential real estate market in the southeastern part of the city is still relatively untested, it is important to ensure that it is supported with key amenities such as parks, retail centers, and good design. Furthermore, there may be public opposition to multi-family housing projects, and high-quality design will be a crucial factor in overcoming that opposition.

Chapter 1. Introduction

Fresno has experienced increasing problems with congestion, sprawl, and resulting poor air quality. The next several decades offer the city an opportunity to reverse some of these impacts by drawing development inward along four major transportation corridors—Blackstone Avenue, Cedar Avenue, Ventura/Kings Canyon, and Shaw Avenue—and offering more and better alternatives to the private automobile. The Fresno 2025 General Plan provides a clear vision for the city's future growth, with emphasis on more compact growth, mixed-use development, vibrant urban centers, and improved transit service.

The proposed high-capacity transit system has the potential to help ameliorate the city's traffic congestion and air pollution and to help stimulate redevelopment in the corridors it serves, as well as to promote social equity by expanding mobility options for those who have the fewest. Currently, transit in Fresno serves a population with limited transportation options, and improvements to the existing transit corridors could serve the most disadvantaged population in the city.

Transit investments and land use strategies can work together to achieve the multiple goals of using land more efficiently, revitalizing underutilized corridors, expanding mobility options, and decreasing congestion and air pollution. However, these outcomes are attainable only if land use patterns are more supportive of transit.

The ability of existing land uses and development patterns is a key consideration in determining which of the four corridors is best suited for high capacity transit. However, this memorandum is concerned not only with present economic conditions but also with the potential for each of the corridors to redevelop with more transit-supportive land use patterns over the long term. This will inform the decision-making process so that appropriate steps are taken towards creating an integrated planning framework for transit and land use.

Conclusions are based on both quantitative data and qualitative sources. Quantitative data include demographic and housing information from the U.S. Census, land use and valuation data from the Fresno County Assessor's Office, and information on real estate vacancy levels, rents, and land prices gathered from a variety of sources. Qualitative sources include interviews with a range of brokers, developers, and others familiar with the real estate market in Fresno.

Chapter 2 presents a snapshot of relevant demographic, economic, and housing data for the City and County of Fresno. Chapter 3 describes the proposed corridors from a land use perspective and outlines their relationship to the major centers of economic activity. Chapter 4 looks at the development potential of each of the corridors based on real estate market trends, land use patterns, and existing public policies. Chapter 5 provides a brief overview of the potential impact of transit investments on real estate development.

Chapter 2. City and County Snapshot and Trends

Population

Both Fresno County and the City of Fresno grew at a higher rate than California as a whole during the 1990s, expanding roughly 20 percent. The next two decades will see a continuation of this trend: Fresno County will add as many as half a million new residents by 2025, increasing its population by more than 50 percent, while the City of Fresno will grow at an even greater pace, adding roughly 300,000 new residents. Fresno contains more than half the county's population and serves as a center of employment and services for the entire county, as well as for much of the San Joaquin Valley. Figure 2-1 shows current population figures and growth projections through 2025.

Figure 2-1 City and County of Fresno, Current and Future Population

Geography/Data Source	2000	2025 Projected	Growth (absolute)	Growth (%)
County				
Census	799,407	--	--	--
CA Department of Finance		1,301,240	501,833	62.8%
Central CA Futures Institute		1,210,143	410,736	51.4%
City				
Census	427,652	--	--	--
General Plan*	482,495	790,955	308,460	63.9%

* Includes unincorporated areas

Figure 2-2 shows basic demographic figures for the city. The most relevant figure for the purposes of this memorandum is the extremely small portion, 2.5 percent, of the population that rides transit to work. Although the overall figure is low, this masks significant variation in transit use and dependency among different portions of the population, as later sections will show.

Figure 2-2 City of Fresno Demographics

Population	427,652
Race	
White	50.2%
Black	8.4%
American Indian/Eskimo	1.6%
Asian/Pacific Islander	11.3%
Other	23.4%
Multiple Races	5.2%
Ethnicity	
Hispanic	39.9%
Employed Residents	156,569
% Riding Transit to Work	2.5%
Median Household Income	$32,236

Source: U.S. Census

Housing

Single-family detached houses are the most common type of housing unit in Fresno, accounting for nearly 60 percent of the total housing stock. Citywide, the housing stock is evenly divided between owner-occupied units and rental units. Although there is not a perfect correlation between tenure and unit type, single-family units are predominantly owner-occupied, while multi-family units are usually rental properties. Figure 2-3 shows basic housing figures from the 2000 census.

Figure 2-3 City of Fresno Housing Characteristics, 2000

Housing Units	149,025
Percent Single Family Detached	58.1%
Percent Owner Occupied	47.6%
Percent Renter Occupied	46.4%
Percent Vacant	6.0%
Persons Per Housing Unit	2.9

Source: U.S. Census

In Fresno, 58 percent of the households in rental housing had an income under $25,000 in 1999, compared to 22 percent of the households in owner-occupied housing.

Economic disparities are visible in other ways: fully 22 percent of those in rental housing lack access to a vehicle, compared to only 5 percent of the households in owner-occupied housing. The disparity is equally striking even for those households that do have vehicle

access: the share of households in ownership housing that have access to two vehicles is double that of households in rental housing (46 percent compared to 23 percent).

These figures suggest several things. First, residents of multi-family/rental housing are far more transit-dependent than residents of single-family housing. Transit improvements should be planned to serve these residents first, both for equity reasons and because multi-family housing will generate more ridership. Second, even if there are no significant differences in the distribution of single-family and multi-family housing among the various corridors, each area's potential to develop more multi-family housing in the future is an important consideration in selecting a corridor for transit investments. This is because higher-density housing nearly always generates more transit ridership, and because the particular socioeconomic characteristics of multi-family housing residents in Fresno support greater ridership.

The above conclusions are particularly valid given that too little multi-family housing is being built in Fresno. Multi-family housing accounted for only 8 percent of the construction permits issued in Fresno County in 2001,[2] meaning that the balance is shifting towards single-family housing, generally for-sale units. On top of this, for-sale home prices have risen rapidly, putting homeownership out of reach of many more people, and a low vacancy rate in multi-family units has led to rent increases. An increase in multi-family units is necessary to maintain housing affordability, particularly in the context of projected population growth. To the extent that these units can be encouraged in an area that will be served by high-capacity transit, both the transit system and its riders will benefit.

Economy

The City of Fresno contains the majority of the County's employment—roughly 67 percent—and this share is projected to grow slightly over time. The city's job base will expand by 71 percent between 2000 and 2025.

Figure 2-4 City and County of Fresno, Current and Future Employment

Employment	2000	2025	Growth (absolute)	Growth (%)
County	335,577	557,351	221,774	66.1%
City	224,854	384,355	159,501	70.9%

Source: Council of Fresno County Governments

Although it is surrounded by the most productive farmland in the country, the City of Fresno's employment reflects its role as a regional service provider. Among the city's largest employers are educational institutions (California State University, Fresno and

[2] California Budget Project, *Locked Out 2002*.

Fresno City College), hospitals, and retail establishments (Gottschalk's), as well as services and manufacturing tied to agriculture (e.g. employment services for farm labor and food processing, such as Foster Farms). Fresno also has an important base of office employment and benefits from a large amount of public employment concentrated downtown. In addition to the city's approximately 2,500 downtown workers, the county employs roughly 4,000 people and the federal government more than 3,000.[3]

This section focuses on office employment since industrial facilities tend to be more dispersed and are more difficult to serve with transit. In addition, industrial land uses would not be appropriate for a transit corridor given their generally large land requirements, low employment densities, and incompatibility with residential development.

Along with Downtown, California State University at Fresno (with over 21,000 students and several thousand employees), and several large retail centers (principally River Park, Fashion Fair Mall, and Sierra Vista Mall in Clovis), several areas with significant office space constitute the metropolitan area's main concentrations of economic activity. The majority of the large retail and office spaces in Fresno are in the northern part of the city, along Shaw Avenue and the northern part of Blackstone (in the case of retail) and north of Shaw in the case of office. Cal State Fresno is also located on Shaw Avenue, solidifying the northern part of the city's dominant role in employment.

Despite a clear pattern of economic activity moving north, the city is making an effort to revitalize Downtown. The recent completion of a new baseball stadium is one component of a significant amount of investment in the area, more than $1 billion of private and public sector funding, according to the Economic Development Corporation of Fresno County. The city's Vision 2010 plan outlines a number of concepts for the revitalization of Downtown, including refurbishing Fulton Mall. A new federal courthouse and office building for IRS and CalTrans employees are other buildings that are helping the increase the profile of Downtown within the city and the region. Despite its lackluster performance in recent years, the importance of Downtown to Fresno's future, and the importance of transit to Downtown, should not be underestimated.

[3] City of Fresno Economic Development Department.

Chapter 3. Corridor Descriptions

This section examines the individual corridors that are being studied, including their relationship to the major economic centers described above, their demographic and land use characteristics, and relevant public policies affecting them. Because Downtown is served by two of the proposed corridors, information for that area is also presented whenever possible.

Note that two slightly different corridor definitions are used in this section. Demographic data have been compiled using census block groups, which encompass an area roughly half a mile to each side of the corridors. Land use data, in contrast, are given for parcels that are directly adjacent to the streets themselves. This is due to the fact that census data, in addition to being available only at relatively aggregate levels (i.e. not at the parcel level), are used to examine the characteristics of the population and housing stock that is within walking distance of the proposed corridors whereas land use data are used primarily to examine the redevelopment potential of the land adjacent to the proposed transit lines. Much of the land just beyond those adjacent parcels is already built out in a way that precludes redevelopment in the near future, so the focus is on parcels along the street that could conceivably be redeveloped with more transit-supportive uses. Although most future development will likely take place on larger parcels that are not adjacent to the corridors, that development potential has been assessed through more qualitative methods (e.g. broker interviews) since a full assessment of opportunity sites is beyond the scope of this work.

Figures 3-1 and 3-2 at the end of this section show land use figures for the four areas.

Corridor Descriptions

Blackstone Avenue

The Blackstone Avenue corridor connects Downtown to Highway 41 and the Woodward Park area, one of the areas of the city seeing the most retail and office development, although the proposed transit corridor stops short of the areas where most new projects will be built. Blackstone is the most heavily commercial of the four corridors: commercial development (primarily retail) accounts for over 90 percent of total land area and built square footage, and there is almost no office or residential development. Fresno City College is one of few non-commercial uses in the corridor.

The northern end of the corridor has seen major new retail development near the intersection with Highway 41. Four related shopping areas—The Shops at River Park, The Marketplace at River Park, River Park Crossing, and River Park Plaza—have made the northern end of Blackstone the city's most desirable area for new retail development. Given the proximity to Highway 41, it is clear that these retail centers draw customers from around the city and around the region. Retail rents per square foot in this area run roughly one dollar higher than the city average, reaching $2.50 in some cases.

Despite its overwhelmingly commercial character, the corridor differs markedly along its length. The success of River Park has stimulated retail development farther north, across Highway 41. As land in that area has grown less available, some businesses have renovated and occupied older spaces along North Blackstone Avenue. However, there is a limit to how far this development will spread in the foreseeable future: brokers report little interest in retail space south of Shields Avenue, and see difficulty in tenanting, developing, or redeveloping space between Shields and Shaw. As a result, between downtown and Shaw most of the corridor is composed of underperforming retail properties with few prospects for redevelopment in the foreseeable future.

The entire southern portion of Blackstone, as far north as Dakota, is part of a Redevelopment Project Area.

Cedar Avenue

The Cedar Avenue corridor runs from Ventura/Kings Canyon in the south to Herndon Avenue in the north, passing through predominantly residential neighborhoods. The three primary non-residential land uses in the corridor are the Cedar Vista Hospital in the northern part of the corridor, Cal State Fresno, at the intersection with Shaw, and the University Medical Center at the southern end of the corridor. The corridor also passes relatively close to the airport. Cedar enjoys relatively good freeway access: Highway 168 begins near the corridor and runs parallel to it for part of its length, and Highway 180 crosses it.

Cedar Avenue is the only corridor in which residential development is the most prominent type, with housing accounting for 36 percent of the land and 44 percent of built square footage in the corridor. Some of the residential development near the corridor is older, upscale housing, such as that along Huntington, site of a former trolley line. Cedar Avenue also has the lowest share of commercial development of any corridor.[4] The main non-residential developments are neighborhood-serving retail, churches, and small office spaces. Along with Shaw Avenue, the Cedar Avenue corridor is the only one with a significant amount of office space, although at only 9 percent of total square footage it is only a small portion of the total. Moreover, the office space appears to be primarily geared towards small local-serving businesses like medical offices.

Although it runs past the university, Cedar does not connect to Downtown and has few other uses that make it a clear candidate as a major transit corridor. However, there is significant population living along the corridor and opportunities for additional residential development nearby. Despite this fact, and the presence of a significant amount of vacant land, the overwhelmingly residential character of the corridor makes it unlikely that significant intensification of land uses would be either economically or politically easy to achieve.

[4] The slightly lower number for Shaw Avenue in seems to be largely due to the high percentage of properties that were missing square footage data.

Shaw Avenue

Shaw Avenue runs from Highway 99 in the west to Clovis in the east, crossing Highway 41 and Highway 168. It contains a significant share of the city's commercial development, both office and retail and runs past the university and the new Save Mart Center, a large performance venue built on university land. It also contains three major shopping centers: the Fig Garden Village Shopping Center, the Fashion Fair Shopping Center, and the Sierra Vista Mall.

Because of this, Shaw has the richest mix of land uses of any of the corridors, with significant amounts of office space, commercial space, and industrial space, as well as residential (mostly behind the commercial development rather than on the corridor itself). Shaw also connects Fresno with the rapidly growing areas of Clovis to the east.

Shaw no longer provides prime office space. Most of the space, particularly along West Shaw, is in smaller units, and tenants are drawn to the area by its competitive rents rather than by the quality of its real estate. Businesses located on Shaw tend to be small, local-serving firms like insurance, medical, and dental practices. As an example of a typical deal, one broker cited a start-up insurance company that rented a 1,300 square foot space. East Shaw has experienced some revitalization of late, particularly since the opening of Highway 168. Highways 41 and 168 provide more access points for commuters and make the location better for offices.

However, both the office market and the retail market have suffered as new development has moved farther north. As discussed earlier, the Woodward Park area has become the most desirable area for both retail and office development, and much of the retail development along Shaw has struggled since the opening of River Park. While many parts of Shaw were already on the decline, the areas at the west and east ends of Shaw were still experiencing significant growth until the opening of River Park.

The new homes east of Clovis Avenue have sparked some new regional retail development on Shaw near Clovis. A new Lowe's recently opened near Home Depot, in an attempt to take the business of these new homeowners away from the Home Depot, which is farther from the new residential development.

Ventura/Kings Canyon

The Ventura/Kings Canyon corridor connects Downtown to the southeastern portions of the city and to the Southeast Growth Area described in the city's General Plan, although the transit corridor as currently envisioned would not reach far enough east to serve that area. Highway 168 begins nearby, as does Highway 180, which runs parallel to the western portion of the corridor, albeit quite far north. With the proposed extension of Highway 180 to the east, access to and from other parts of the region would be greatly facilitated. It is expected that this will help to stimulate significant residential development.

Roughly one-quarter of the land and built square footage is in residential uses, with half the land and 70 percent of square footage in commercial uses. Approximately 20 percent of the land is vacant. There are only two major non-commercial uses—The University Medical Center—but Ventura has seen a resurgence in the retail market lately, particularly east of Chestnut. Investment in commercial properties is evident: there is a new Home Depot, Walgreen's, and FoodsCo, plus a planned regional retail center, and in general the properties are in better condition than those farther west. Newer buildings, which are farther east, lease at the same approximate rates as retail space in Clovis, but older buildings rent at less than one third that level.

Most of the portion of Ventura/Kings Canyon proposed as a transit corridor is included in a Redevelopment Project Area.

Figure 3-1 Land Use in the Study Corridors

Land Use	Percentage of Land Area			
	Blackstone	Cedar	Shaw	Ventura
Civic	0.1%	15.7%	0.8%	0.5%
Commercial	90.9%	28.7%	52.2%	50. 8%
Industrial	5.9%	1.4%	7. 6%	0. 0%
Office	0.3%	6.0%	31.0%	1.3%
Other	0.0%	0.1%	1.5%	0.5%
Residential	1. 7%	36.5%	3.1%	27.4%
Vacant	1.3%	11.6%	4.0%	19.5%
Total Acres	607.6	380.6	620.0	210.0

Source: Fresno County Assessor

Figure 3-2 Built Square Footage by Land Use in the Study Corridors

Land Use	Percent of Built Square Footage			
	Blackstone	Cedar	Shaw	Ventura
Civic	0.1%	6.3%	0.7%	1.0%
Commercial	93.8%	38.1%	46.2%	70.0%
Industrial	4.1%	2.8%	14.6%	0.0%
Office	0.3%	8.6%	34.7%	0.6%
Residential	1.1%	43.7%	4.1%	23.6%
Other	0.6%	0.5%	0.1%	4.8%

Source: Fresno County Assessor

Population and Housing

Figure 3-3 shows population characteristics for the four corridors under consideration, as well as Downtown. The corridor with the largest population, Shaw, has nearly twice the number of residents as the one with the smallest, Ventura/Kings Canyon, due mainly to its length and "built-out" status. There are also significant racial, ethnic, and socioeconomic differences among the populations.

Ventura/Kings Canyon has the largest Hispanic population (61 percent) and the smallest white population (33 percent) of any of the corridors. Along with Blackstone, it also has a median household income well below the citywide average, whereas Cedar and Shaw are slightly above the city average. Because vehicle ownership and transit ridership are largely determined by income in Fresno, it is not surprising that Blackstone and Ventura/Kings Canyon also show the lowest levels of automobile ownership and the highest level of transit ridership for commute trips.

Figure 3-3 Basic Demographic Figures, 2000

	Blackstone	Cedar	Shaw	Ventura/ Kings Canyon	Downtown
Population	47,771	63,911	75,332	40,947	13,357
Race					
White	48.8%	49.7%	61.5%	33.2%	29.6%
Black	7.5%	5.4%	7.2%	7.4%	23.0%
American Indian/Eskimo	2.0%	1.6%	1.5%	1.8%	2.1%
Asian/Pacific Islander	10.2%	12.7%	9.2%	13.2%	6.6%
Other	26.3%	25.2%	15.2%	38.8%	34.1%
Multiple Races	5.2%	5.4%	5.4%	5.6%	4.6%
Ethnicity					
Hispanic	45.0%	42.5%	27.8%	60.8%	55.7%
Employed Residents	15,515	22,827	32,513	11,035	2,602
% Riding Transit to Work	4.7%	2.7%	1.8%	3.6%	8.2%
Households Without a Vehicle					
Renter Occupied	14.8%	28.4%	21.8%	29.0%	50.3%
All Households	9.7%	21.6%	13.6%	21.2%	42.9%
Median Household Income	$25,687	$33,109	$34,318	$25,776	$15,151

Source: U.S. Census

Figure 3-4 shows housing characteristics for the four corridors plus Downtown. None of the corridors deviates far from the even split between single-family and multi-family housing seen in the city as a whole, but Blackstone and Ventura/Kings Canyon both have somewhat higher proportions of their population living in rental housing than the other two corridors. Ventura/Kings Canyon also has more residents per household than the other corridors.

Figure 3-4 Basic Housing Figures, 2000

	Corridor/Area				
	Blackstone	**Cedar**	**Shaw**	**Ventura/Kings Canyon**	**Downtown**
Housing Units	17,599	21,786	30,851	11,912	3,789
Percent Single Family Detached	46.8%	57.6%	46.2%	51.4%	41.8%
Percent Owner Occupied	33.2%	45.3%	43.3%	35.0%	20.2%
Percent Renter Occupied	58.5%	49.0%	51.0%	56.1%	67.5%
Percent Vacant	8.3%	5.7%	5.7%	9.0%	12.3%
Persons Per Housing Unit	2.7	2.9	2.4	3.4	3.5

Source: U.S. Census

These findings fit with the overall findings presented in the previous section: the more desirable areas of Fresno for retail, office, and residential real estate tend to be in the north, while the southern portions of the city are home to a greater share of the low-income population and the Hispanic population, with higher household size and transit dependency. The following maps show these characteristics at the census block group level. The gradient along Blackstone and Cedar as one moves south to north is subtle but visible.[5]

The following maps show basic demographic characteristics affecting transit ridership and equity considerations in the four corridors.

[5] The main anomaly is the intersection of Cedar and Shaw, where the campus of California State University leads to lower household incomes and other notable differences from the surrounding areas.

Figure 3-5 Share of Employed Residents Taking Public Transportation to Work

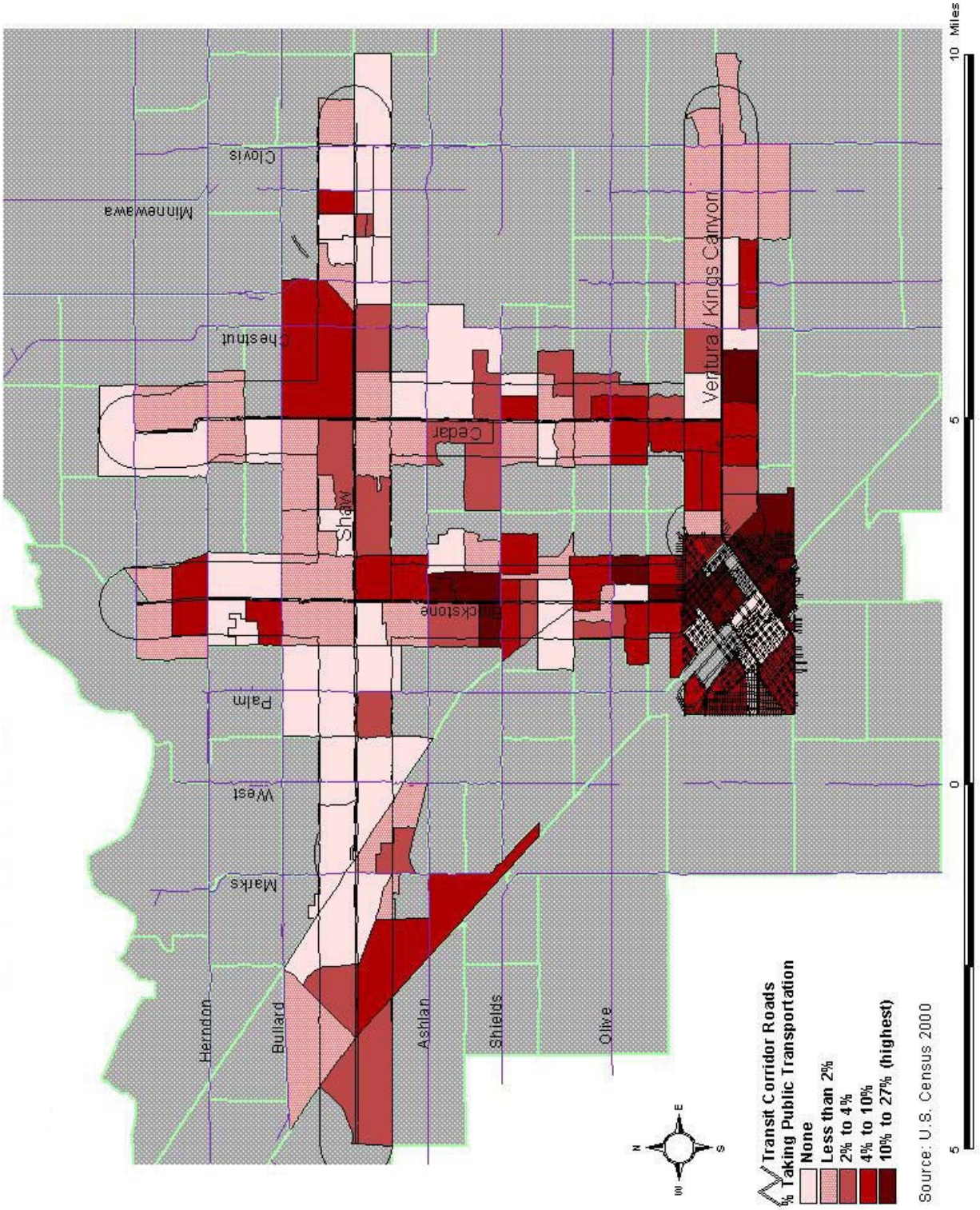
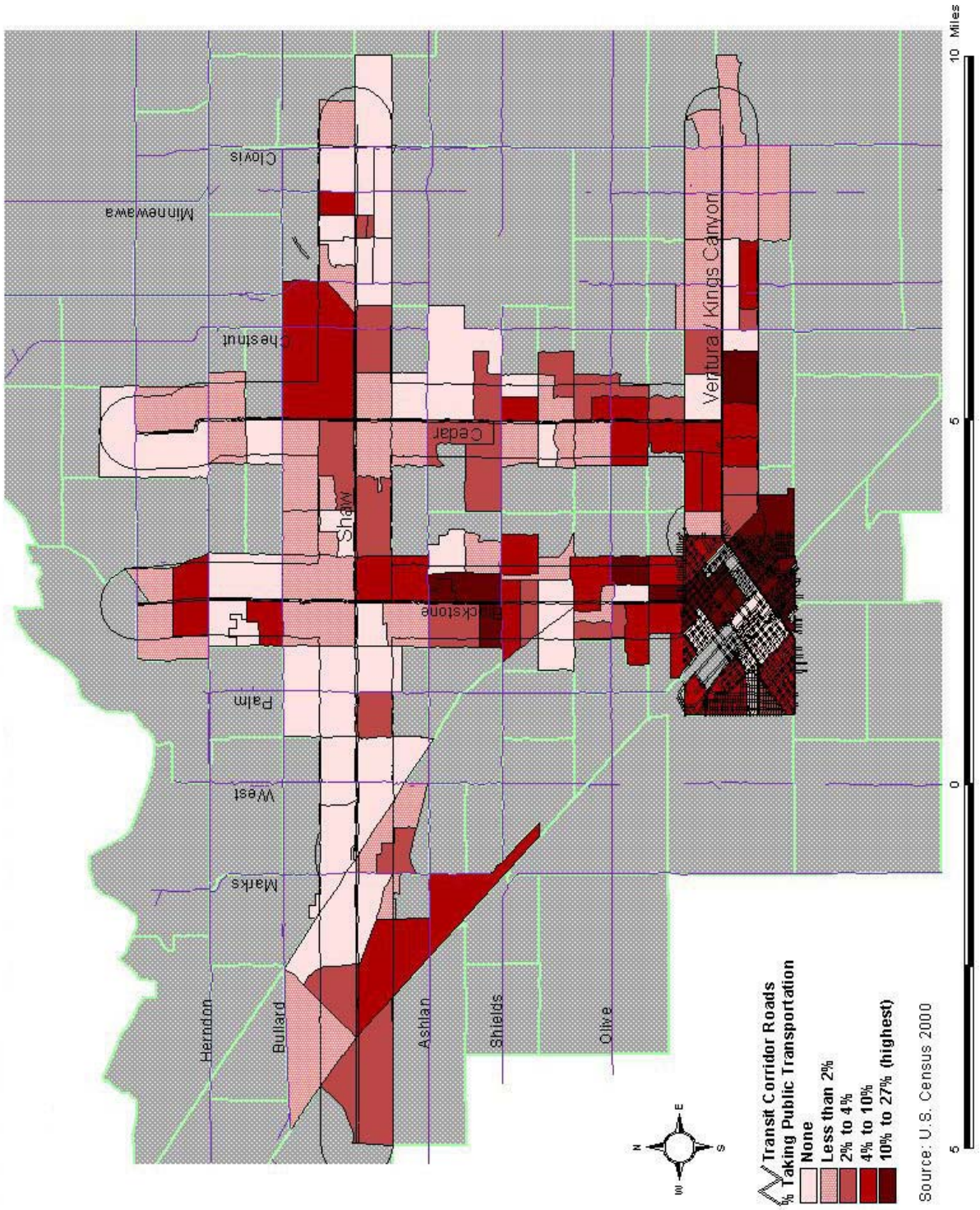


Figure 3-6 Percent Hispanic Residents



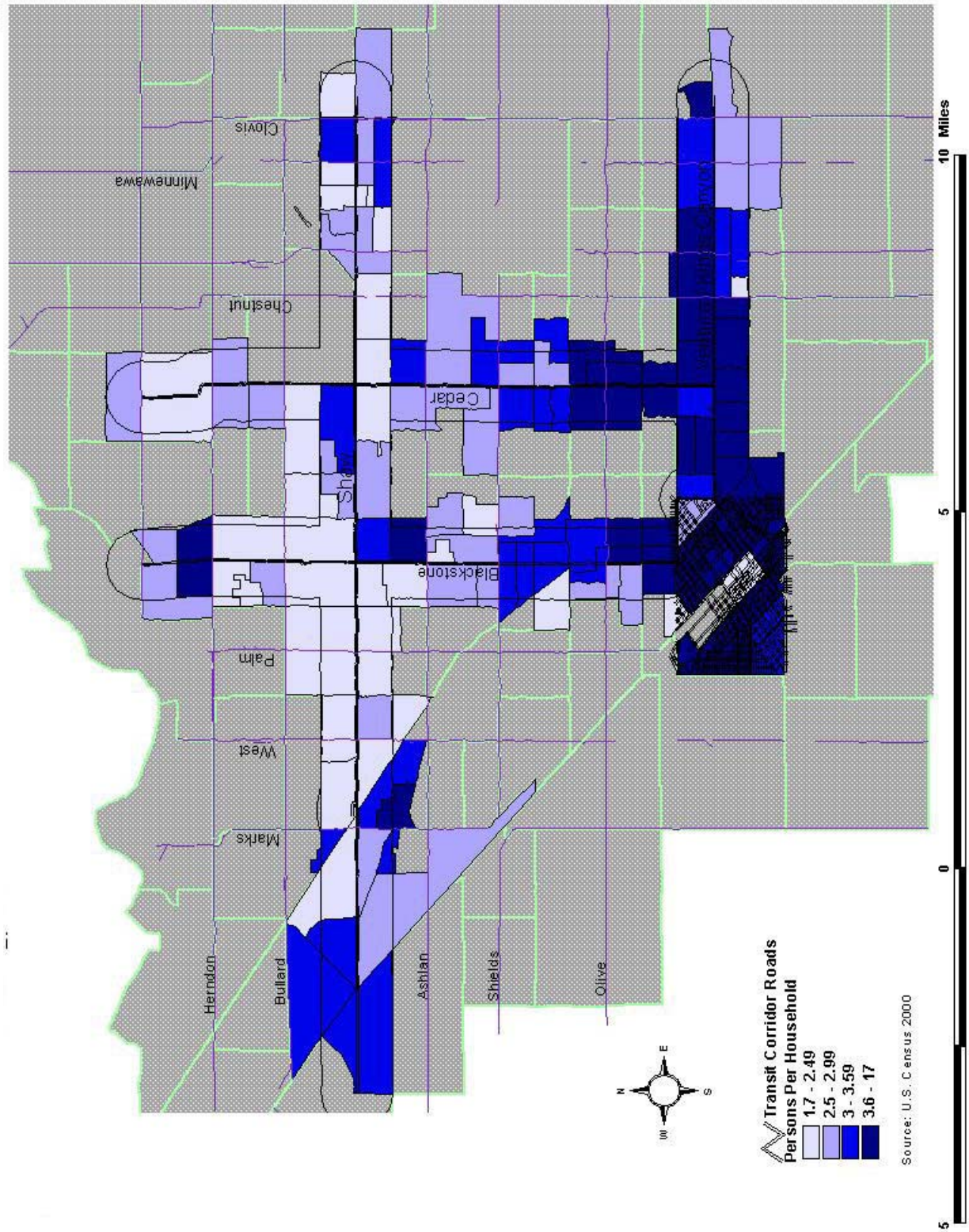
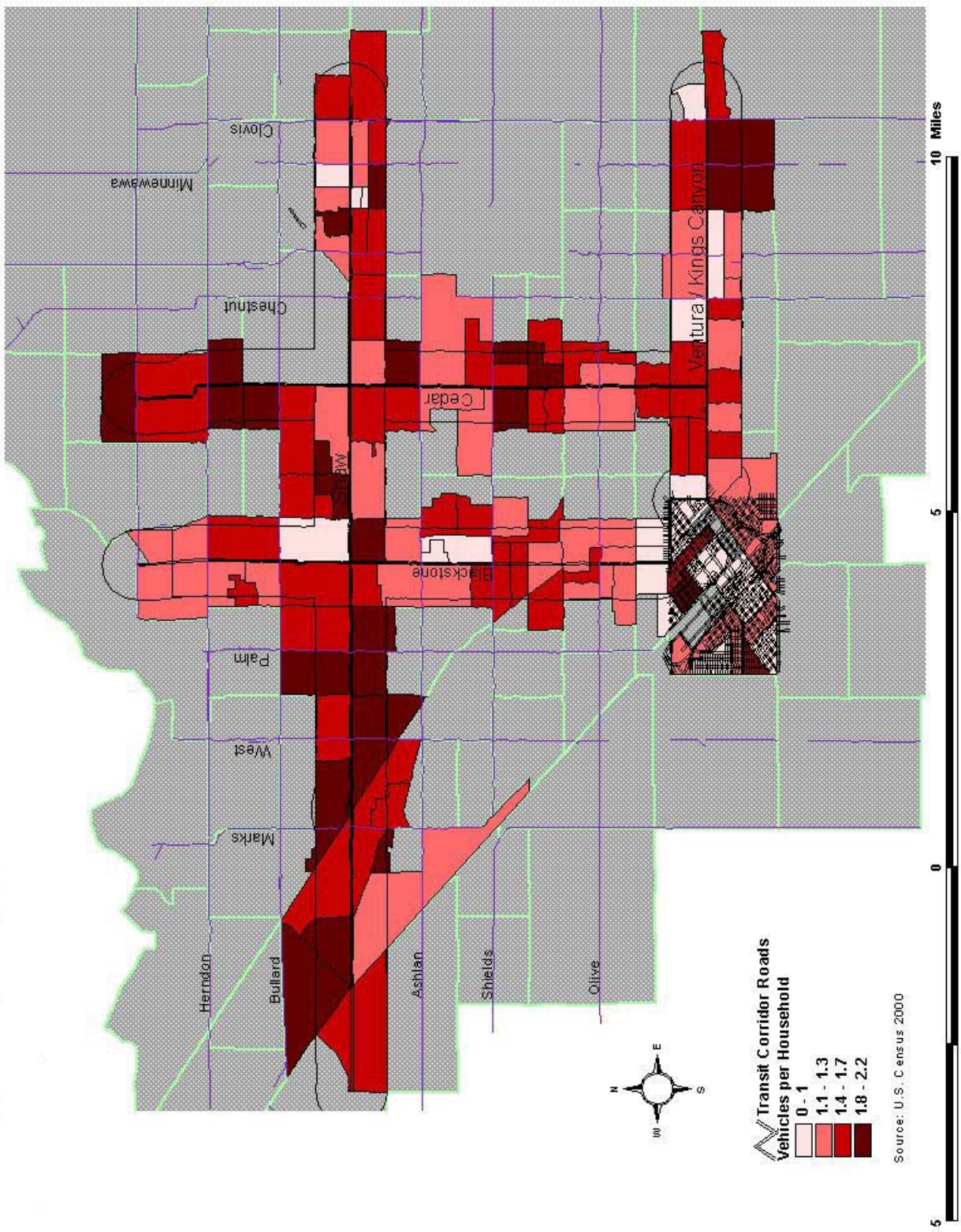

Clovis
Minnewawa
Chestnut
Cedar
Blackstone
Palm
West
Marks
Herndon
Bullard
Ashlan
Shields
Olive
Transit Corridor Roads
Persons Per Household
1.7 - 2.49
2.5 - 2.99
3 - 3.59
3.6 - 17
Source: U.S. Census 2000
10 Miles
5
0
5

Figure 3-8 Average Vehicles per Household



Chapter 4. Development Potential

Development potential in each of the corridors is shaped by three main factors. First, and most importantly, citywide trends in the real estate market cause different areas to experience weak or strong pressure for development and redevelopment. Development pressure varies depending on the type of real estate in question.

Second, the existing land use conditions—particularly the amount, nature, and viability of existing development—affect the ease with which land can be developed or redeveloped. If parcels are small and owned by many different people, or if they have existing structures that are expensive to remove, redevelopment will be more difficult and expensive.

Finally, public policy can enhance the development potential of an area. Land use controls such as zoning codes can serve to hinder redevelopment if they are poorly designed, while well-formulated policies can serve to harness market forces to achieve desirable ends. Furthermore, the existence of a Redevelopment Project Area can create additional incentives for redevelopment by channeling public funds into an area and creating a more attractive climate for private investment.

This section will examine the potential of each corridor to develop in a way that supports major transit investments. In general, transit-supportive development is defined by:

- Relatively high density development along the corridors and in nearby areas.
- A mix of land uses, especially housing and smaller-scale retail development.
- Pedestrian-friendly urban design that facilitates walking between transit stops and nearby origins and destinations.

The clearest differences emerge from real estate trends at the citywide level rather than from parcel-level characteristics within the corridors. However, both data sources inform the conclusions made about real estate trends. Any further, more detailed analysis—such as an identification of opportunity sites or a financial feasibility analysis of redevelopment opportunities within the selected corridor(s)—can make use of the data that has been collected and presented here.

Citywide Real Estate Trends

In order to gauge the trends in the city's real estate market, the consultants contacted real estate brokers and developers working in both the residential and commercial markets, as well as others knowledgeable about Fresno real estate. This section summarizes the findings from those conversations and presents additional information about the trends that will affect the corridors in question.

Commercial Real Estate

As in much of California and the nation as a whole, the market for office development in Fresno is currently fairly weak. Vacancy at the end of 2002 was 9.1 percent, or just over 1.5 million square feet, down from a year earlier but still high enough to absorb some growth without spurring major new development.

Whatever new office development that does occur is likely to take place mostly outside the four corridors being examined. Over the past 50 years, Fresno's commercial real estate market has favored locations that are increasingly located in the northern part of the city, removed from downtown. In the 1950s Shields Avenue was the most popular area for office development, and in the 1970s the market shifted to Shaw Avenue. Today, the strongest office market is farther north: the East Herndon/Woodward Park area, which includes the northern end of the Blackstone corridor, commands the highest office rents in Fresno and has the lowest vacancy rates. This is followed by the West Herndon/Northwest area, with the second highest rents and a decreasing vacancy rate despite the recent addition of new space.

Figure 4-1 shows the amount of occupied office space in various districts in the city. The geographic boundaries of these districts are mapped in Figure 4-2. The data shows that the City of Fresno has approximately 21 million square feet of office space including roughly 4 million square feet of government owned space. The districts with the highest amounts of office space are East Herndon/Woodward Park, Downtown, and West Shaw.

In general, rents decline as one moves south, with all other areas showing rates below the citywide average. Brokers report that while the office market along Shaw Avenue is still viable, it draws mainly small local-serving professionals. Along with Downtown, the West Shaw area was the only office market in the city that increased its vacancy rate in 2002, indicating possible long-term weakness. The market appears to be moving north up the Highway 41 corridor, although it may be stopped by resistance to non-agricultural uses in southern Madera County. In that case, some brokers speculate that development will follow Highway 168 towards Clovis.

Although Downtown is seeing significant office construction (750,000 square feet added in 2002), this is primarily due to public sector projects.[6] With the highest vacancy rate in the city (nearly 15 percent) and some of the lowest rents, there is little evidence that the Downtown market for other office users is strong enough to attract significant private investment in the near future.

Retail has followed a similar trend, particularly in the case of regional retail centers, although local-serving retail development is more diffuse. Today the northern part of the city, around the intersection of Highway 41 and Blackstone Avenue, claims the strongest market and commands the highest retail rents. The availability of land and the access provided by Highway 41 is a key factor in the attractiveness of these areas for both retail

[6] A new federal courthouse and office building for IRS and CalTrans workers are among the government projects recently completed or under construction in Fresno.

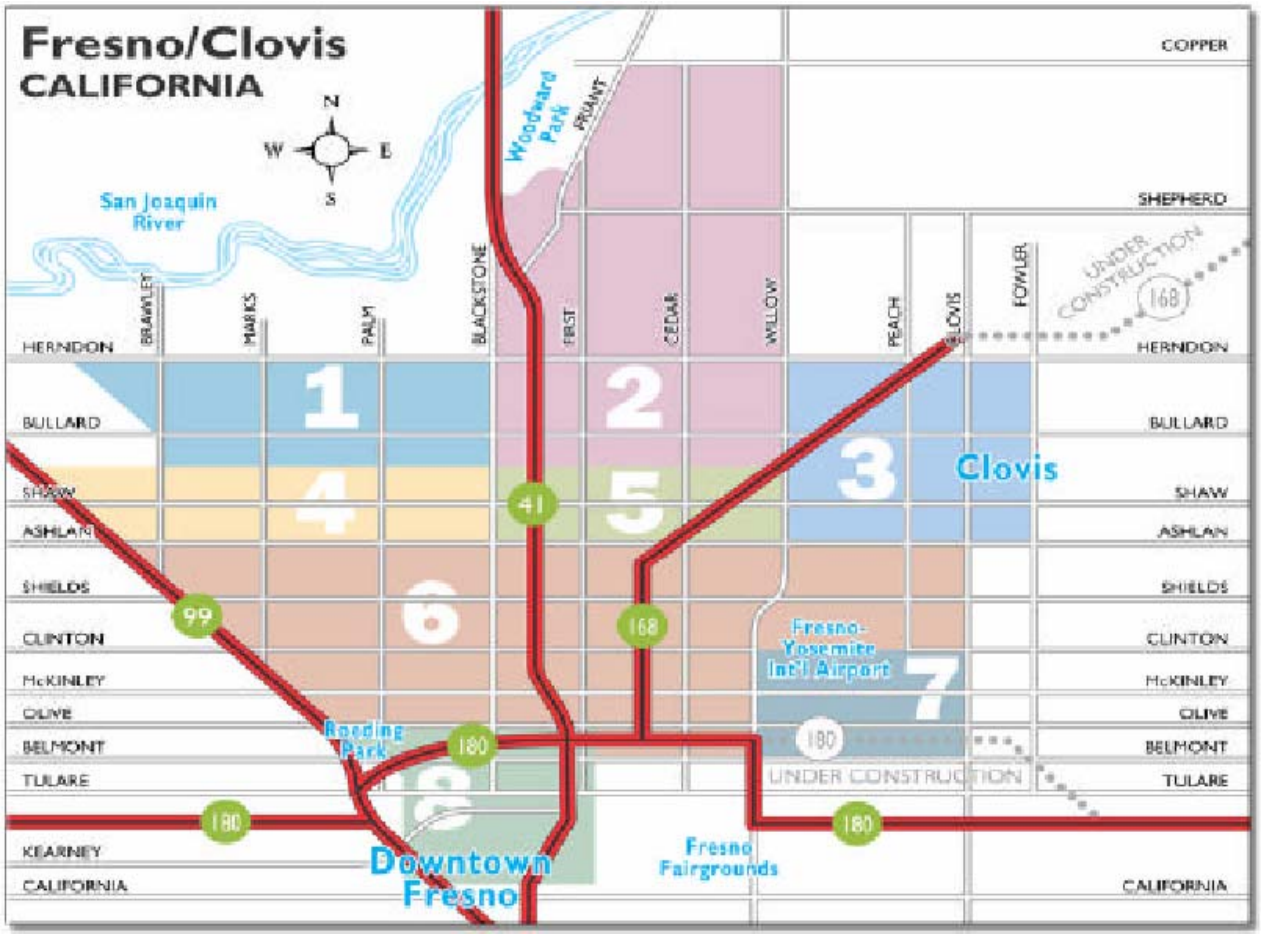
and office development. Most notable is the River Park development near Blackstone and Highway 41. This development is intended to serve customers from around the region. Although the strong retail market on North Blackstone is spurring some new retail activity farther south along the corridor, most of the current activity is north of Highway 41, beyond the proposed transit corridor.

Figure 4-1 Non-Government Occupied Office Space

Location	Map Area	Total Sq. Ft.	Total Sq. Ft. Available	Vacancy Rate	Average Lease Rate
West Herndon/Northwest	1	1,540,773	134,785	8.75%	$1.45
East Herndon/Woodward Park	2	3,784,057	232,991	6.16%	$1.60
Northeast/Clovis	3	1,156,372	62,778	5.43%	$1.25
West Shaw	4	2,398,563	276,469	11.53%	$1.22
East Shaw	5	1,940,597	181,026	9.33%	$1.20
Central	6	1,904,895	122,252	6.42%	$1.00
Airport/Southeast	7	1,695,766	135,042	7.96%	$1.05
Downtown	8	2,917,702	431,693	14.80%	$1.10
Total Non-Government	--	17,338,725	1,577,036	9.10%	$1.26
Government (approximate)	--	4,000,000	--	--	--
Total (approximate)	--	21,340,000	--	--	--

Source: Colliers Tingey International, Fresno/Clovis Metro Area Office Market Review, January 2003.

Figure 4-2 Main concentrations of office space



Source: Colliers Tingey International

With River Park and the related retail development and the other established retail areas in the city, as well as plans to revitalize the Fulton Mall and attract larger-scale retail uses, there is relatively little opportunity for significant retail development elsewhere. The City of Clovis has built a significant amount of retail space, to the extent that some brokers see it limiting the likelihood of new retail development in Fresno.

The main exception is the southeastern portion of the city, where the retail momentum of recent years appears likely to continue due to population growth. Developers Tom Richards and Ed Kashian are planning a large new retail development of roughly 1,000,000 square feet near the end of the Ventura/Kings Canyon corridor, along with new housing and a business park consisting of office and light industrial space.

In short, opportunities for significant office or retail development are very limited in the four corridors given that the commercial real estate market is favoring sites in the northern part of the city. The main exceptions are the northern end of Blackstone, Downtown—where government investment is driving construction despite little interest from the private

sector—and the southeastern portion of the city, where residential growth is driving retail development and where a new business park comprising up to 1.5 million square feet of space will increase the employment base.

Residential Development

In contrast to the struggling office market, the residential real estate market in Fresno is extremely strong. In 2003 apartment vacancy rates hit an 18-year low of 2.1 percent while new home construction increased 14 percent over the previous year.[7] Strong population growth in the city and county are driving residential building projects despite the stagnant office market.

This is true of both single-family and multi-family housing. However, multi-family housing in particular is experiencing a revival given the extremely low pace of construction during most of the 1990s, when demand and rent levels were too low to justify new construction. Existing buildings have been purchased by outside investors, as in the case of the 315-unit Crystal Springs apartment complex on Kings Canyon Road, and construction of multi-family housing is increasing, with several large new projects in planning.

Residential development is not showing the same tendency to concentrate in the north as commercial development. Although the city's northern and northeastern areas—such as the area on East Copper Avenue near the golf course—are seeing a great deal of housing under construction or in planning, the residential market is not limited to these areas. Brokers and developers report strong demand in the area to the west of Highway 99 as well as the southeastern part of the city. This trend will likely accelerate as land becomes less available and more expensive in the northern areas. Most of the land in the Woodward Park area has already been purchased by developers, although it will be a number of years before it is fully built out.

Although multi-family development makes up a significant portion of some projects, and sometimes even the majority, in many recent projects the multi-family component has been geared towards seniors or the higher end of the market, such as condominiums. This is true, for example, in the Copper River project north of Herndon, near the golf course.

Figure 4-3 shows the General Plan growth projections for the city's Community Plan Areas. The areas projected to experience the greatest net addition of new population are all in the southern and western portions of the city, as well as in areas of the county just beyond the southeastern corner of Fresno. The southeastern part of the city in particular is seen as an area with many advantages for residential development.

Nevertheless, development is already proceeding in these areas. Roughly 1,400 units (more than half multi-family) are in mapping to the west of Highway 99 between Shaw and Shields and Brawley and Blythe. In the southeastern portion of the city roughly 1,300

[7] Fresno/Clovis Annual Housing Report 2003 and Quarterly Housing Report, August 2003, Real Estate & Land Use Institute at California State University, Fresno.

mostly single-family units are in planning to the south of the end of the Ventura/Kings Canyon corridor, and roughly 2,000 are planned in the area surrounding the end of the corridor.

Ann Bierbower, who does land acquisition and market research for Wathen-Castanos, Inc., one of the Fresno area's leading local builders, sees the southeastern part of the city as one of the most promising areas for future residential growth. Although the area has not attracted many builders in recent years, the difficulty and expense of obtaining land in many of the northern parts of the city will serve to push them to the southeast in search for large parcels of relatively inexpensive land. Initially the development is expected to serve the lower and middle segments of the market

Tom Richards of the Penstar Group, together with partner Ed Kashian, is developing housing, retail space, and a business park in the southeastern part of the city. The housing (the 2,000 units referred to above) will be focused on a town center at the corner of Fowler and Kings Canyon. Although the majority will be single-family units, a significant number of multi-family units are planned, including roughly 200 units above commercial and retail space.

Figure 4-3 Community Plan Areas, Current and Projected Population

Community Plan Area	2000	2025	Growth	Percent Change
Bullard	86,538	118,197	31,659	36.6%
Central Area	14,919	27,764	12,845	86.1%
Edison	24,728	68,014	43,286	175.0%
Fresno High/Roeding	57,817	60,779	2,962	5.1%
Hoover	50,314	56,212	5,898	11.7%
McLane	46,440	64,829	18,389	39.6%
Roosevelt	115,846	154,882	39,036	33.7%
West Area	37,134	111,047	73,913	199.0%
Woodward Park	44,730	60,528	15,798	35.3%
Citywide--Mixed-Use Intensification	--	2,000	2,000	--
North Growth Area	1,073	8,747	7,674	715.2%
Southeast Growth Area	2,956	57,956	55,000	1860.6%
Total	482,495	790,955	308,460	63.9%

Source: 2025 Fresno General Plan

The project by Richards and Kashian represents one of the first attempts, perhaps even the first, to build housing in a mixed-use setting in Fresno. The housing-over-retail component of the project will represent an important test case in the local market. These units will be part of a large master-planned development, and is therefore a significantly different proposition than small-scale infill housing, which entails greater complexity and higher costs in addition to an untested market.

Richards sees a strong market for housing in southeast Fresno, and predicts that development will occur there before the southwestern part of the city. He claims that predictions made by others that development will jump into Madera County before moving to the southeast are off-target for two reasons. First, demand is stronger in the southeast than those making the predictions tend to assume; and second, most of the available land in Madera County does not have adequate infrastructure, making the southeast a much more feasible place for development in the near to medium term.

Although the development potential in the vicinity of the corridor is clear, the possibility of infill and mixed-use development on parcels along Ventura/Kings Canyon itself is less so. The people interviewed stressed that developers in Fresno are looking for relatively large pieces of land, and such parcels are still available, even if their location is pulling the market into new areas. For example, the Richards/Kashian project is being built on a 450-acre site. The complexity and high cost of building infill development on small underutilized (or even vacant) parcels is, in most cases, neither appealing nor justified economically in Fresno. Significant public intervention would be required to encourage infill development on parcels adjacent to transit corridors.

A project by non-profit developer Opportunity Builders illustrates this point. Built at the corner of South Willow and East Kings Canyon, the project contains 48 units of multi-family housing, half of which will be reserved for developmentally disabled residents, and a community center. Although the location was appealing due to its proximity to amenities such as bus lines, shopping, and child care, there were numerous hurdles to be overcome. Chief among these were the high cost of land, land assembly, and the lengthy process of getting the property in contract and obtaining entitlements.

Although land costs in the southeastern part of Fresno are generally lower than in many other parts of the city, the developer's perspective is that many owners expect a price for their land that is unrealistic even for market-rate housing given current market conditions. However, most are not in a hurry to sell and anticipate that they will eventually be able to obtain the price they are asking.

The parcels acquired (nine parcels from six different owners) are not contiguous, and it proved impossible to acquire the parcels that separate them due to the owners' unwillingness to sell, at least at a price that would be feasible to pay. In addition to the lengthy process of acquiring the parcels, their configuration created design challenges that would have been less significant if the project had been built on contiguous parcels.

Finally, the process of acquiring the land and obtaining entitlements was lengthy and complex. While the difficulties were compounded by the complex financing and other challenges of affordable housing development, some of the challenges would exist in the case of for-profit development as well.

Closer to Downtown there appears to be some movement to test high-density, market-rate urban-style housing on infill sites. Two projects are currently underway. Granville Homes is building a mixed-use project with 38 apartments and nearly 10,000 square feet of retail

space. The development was granted variances for a reduced parking ratio and reduced setback. Tutelian & Co. has been selected as developer of the Broadway Row project, which will create retail space and over 100 units of housing, including lofts, while incorporating two existing buildings through adaptive reuse. Both of these projects are feasible only with significant public participation: roughly $900,000 in the case of the former project and $4 to $6 million in the case of Broadway Row. These projects will serve as tests of the Downtown housing market, where there are currently no comparable projects. While success will certainly bode well for similar projects elsewhere, the developers caution that the Downtown market is not the same as the market along any of the transit corridors being examined.

To conclude, in contrast to the commercial market, the residential real estate market is growing stronger in areas served by some of the proposed corridors, primarily Ventura/Kings Canyon and Cedar. Residential growth will drive retail investment, as it has already begun to do in the southeastern part of the city. However, even though significant residential growth will take place near the proposed corridors, there is no guarantee that the new housing will relate in any way to the transit, that it will be built at transit-supportive densities, or that any infill housing will be built adjacent to the corridors.

Land Values

Land prices have increased in most parts of Fresno, with dramatic increases in certain areas. In the Woodward Park area, some unimproved residential land now sells for approximately $125,000 per acre (roughly $3 per square foot), an increase of roughly 200 percent from 1991.

These high prices are one of the factors driving residential development in other areas. Land costs significantly less elsewhere: $35,000 to $40,000 per acre (less than $1 per square foot) in the area west of Highway 99 and anywhere from $20,000 to $50,000 in the southeastern portions of the city. However, land values are already increasing in the southeast due to that area's development potential.

Improved commercial land adjacent to the corridors sells for significantly more. Recent sales in the northern part of Blackstone have brought $10 to $20 per square foot (roughly $450,000 to $900,000 per acre). Commercial land prices also vary significantly from corridor to corridor, and are generally highest in the northern areas of the city.

The overall increase in land values has led many owners to expect high prices for their land, as discussed above. Under current market conditions, the prices being asked for parcels along the Ventura/Kings Canyon corridor, and most likely the Blackstone corridor as well, are unrealistically high for market-rate housing. Rents and sales prices for multi-family housing may rise in these areas in the future, but in the shorter term significant public intervention will be required to mitigate the high cost of land, assembly, and other aspects of infill development.

Existing Land Use Conditions

Land use patterns in the different corridors vary significantly in their ability to support redevelopment adjacent to the proposed transit lines. Both a visual survey and a simple measure of underutilization indicate that Blackstone and Ventura/Kings Canyon have the highest percentage of parcels that are not built to their economic potential.

Figure 4-4 shows a summary of the underutilized parcels in each corridor. The definition of underutilization in this case is an improvement to land value (I/L) ratio of less than 1.0. That is, when the value of the structures built on a parcel is less than the value of the land itself, it is an indication that the land can support more intensive economic uses.

Nearly 40 percent of the land area in the Blackstone corridor can be considered underutilized and roughly 34 percent of the land in the Ventura/Kings Canyon corridor falls into that category.

Figure 4-4 Characteristics of Land and Development in the Corridors

Corridor	Overall Characteristics				Underutilized Parcels	
	Average Parcel Size (Sq. Ft.)	Land Value/SF	Average I/L Ratio	Average FAR	% of Area	Average Parcel Size (Sq. Ft.)
Blackstone	42,176	$6.86	1.7	0.27	39.5%	36,320
Cedar	26,371	$3.89	2.6	0.22	21.0%	50,427
Shaw	61,427	$8.19	1.7	0.24	26.6%	56,624
Ventura	20,942	$3.89	1.9	0.21	33.9%	37,872

Source: Fresno County Assessor, Strategic Economics

This is a fairly strong indication that the uses in the Cedar and Shaw corridors are, on the whole, more viable from an economic point of view than those in the other two corridors.

The complication arises with the physical patterns in the other two corridors. The underdeveloped parcels are small on average—less than an acre—suggesting that assistance with land assembly would be necessary or at least highly effective for promoting redevelopment. Moreover, the large amount of existing development means that there would be significant costs associated with redevelopment, such as zoning changes and demolition. The brokers and developers interviewed saw these costs as prohibitive without public assistance or incentives. However, at least one broker did believe that there would be a market for multi-family housing in those corridors if a solution to the economic challenges of redevelopment could be found.

Land values make Ventura/Kings Canyon the more attractive of the two corridors. Despite recent increases, land values are still lower than in the Blackstone corridor. With an assessed value of just over half that of Blackstone, the costs of both new development and

redevelopment will be easier to support.[8] Assessed values in the southern part of Blackstone are not significantly lower than in the northern part, although in reality market values may differ considerably.

Although Cedar also has relatively low land values, as stated earlier there are few opportunities for redevelopment, both because of the nature of existing development and because of the small amount of underutilized land.

Shaw faces a particular quandary. Shaw is still a viable retail and office corridor, but it attracts tenants interested in older, relatively inexpensive spaces. It can no longer attract the top end of the market, so rents do not support the high cost of redeveloping parcels with leasable structures, and in some cases they do not support new construction of any kind, even without the added cost of redevelopment. This is evident in the experience of one broker who is having trouble finding an anchor tenant for a 30,000 square foot property in a new shopping center on Shaw. He is at a disadvantage because he is competing both with new high-end space to the north and cheaper, older spaces along Shaw. Although one broker said that office space along Shaw may cease to be profitable to lease within 10 to 15 years, it is not clear that the market would support redevelopment even then.

Thus, Blackstone and Ventura/Kings Canyon appear to be the best candidates for redevelopment of parcels fronting on the corridor itself. Both have pros and cons: as mentioned earlier, the residential market around Ventura/Kings Canyon is stronger, and land values are more favorable for redevelopment. However, ownership along the Blackstone corridor is concentrated in a much smaller number of hands, potentially reducing the need for public intervention in the land assembly process and could facilitate redevelopment.

Public Policy

A key element of successful redevelopment is appropriate public policy, from overall land use policy—primarily the General Plan and the zoning code—to an effective plan for strategic public investments and action by the Redevelopment Agency where appropriate.

On the surface, the General Plan is quite supportive of transit-supportive strategies such as infill development, higher densities, and mixed use. The Plan explicitly embraces the ideas put forth by the Growth Alternatives Alliance in their document "Landscape of Choice - Principles and Strategies." The Urban Form Components Map also proposes a number of "activity centers," several of which would be centered on the Ventura/Kings Canyon corridor. And a number of other General Plan goals appear to support transit-supportive strategies and infill development.

[8] Note that this is assessed value, not market value, and the two should not be compared. However, the numbers serve to compare values across corridors, and the differential is consistent with the information received from brokers.

However, the land use scheme gives a different impression. With the possible exception of Ventura/Kings Canyon, the land use patterns envisioned for the corridors are not adequate either to attract the most promising type of development (i.e., residential) or to attract new development at appropriate densities, i.e. roughly 15 units per acre in the corridor as a whole, and 20-25 units per acre along the transit line itself.

Blackstone Avenue is foreseen as a purely commercial corridor in 2025, with only a small amount of mixed use along the street itself. From the perspective of redeveloping the corridor at transit-supportive densities, there are two problems with this. First, it is unclear that there will be sufficient commercial demand to spur redevelopment along most of Blackstone. And second, a mix of uses that included residential development would generate more transit ridership and work better with any major transit investment.

Cedar Avenue is zoned primarily for residential development, although for the most part at densities that are too low to be considered transit-supportive. Little residential development denser than about 10 units per acre is permitted.

Like Blackstone, Shaw Avenue is also zoned mostly for commercial uses, and the surrounding residential neighborhoods are all fairly low density and for the most part built out.

The land use patterns envisioned for the Ventura/Kings Canyon corridor appear more supportive, despite the lack of specificity about how "activity centers" would be created, given that there is a mix of uses planned, some at relatively high densities.

Developers claim that from their point of view, Fresno has no effective mixed-use ordinance. For example, Tom Richards says that for their project in the Ventura/Kings Canyon corridor he and Ed Kashian put together their mixed-use components (housing above retail) in an ad-hoc fashion. Dave Stiglich of the Department of Planning and Development confirms that mixed-use development is difficult in Fresno. Other than Downtown, it is very difficult to do mixed-use development in retail commercial districts, although the city does allow developers to build up to 35 percent residential space in office districts.

However, this is changing. Most developers, notably those engaged in the Downtown projects mentioned above, have praised the city's efforts to work with them, and cite the city's openness to new types of development. More importantly, a mixed-use ordinance is now in the works. Although it is in preliminary draft form at the time of this writing, it appears that it will include provisions to facilitate the development of more housing and retail space in office districts, as well as the construction of mixed-use housing and retail projects in retail areas. The exact mechanism is uncertain, but it would probably be available anywhere in the city that a developer proposed a mixed-use project. There is a great deal of pressure from political leaders to move forward with the ordinance, and the Department of Planning and Development hopes to have it approved by the end of 2004.

Some developers pointed out the relatively long process of development review and suggested that an expedited process, along with reduced permit costs, could prove to be an important incentive for developers. The city could use these incentives to help make certain types of development in specific places more attractive to developers and more feasible.

Another important aspect of public policy to consider is the role of the Redevelopment Agency. Given the challenges to creating transit-supportive development in any of the corridors and the uncertain market conditions for mixed-use and infill development, any significant redevelopment will require public assistance. The Redevelopment Agency could play a key role in either the Blackstone corridor or the Ventura/Kings Canyon corridor, which overlap with existing redevelopment areas, by assisting with land assembly, writing down the cost of land, providing direct financing for affordable housing, and helping to pay for infrastructure improvements. Indeed, this potential role constitutes a significant argument in favor of selecting one or both of those corridors for transit investments.

Infrastructure development may turn out to be especially important for fostering projects under any future mixed-use ordinance, since the infrastructure requirements of, say, a mixed-use residential and retail project may be significantly different than those of a pure retail project. Without public financing for infrastructure improvements, developers may be unable or unwilling to finance the necessary changes.

The city is clearly moving towards a policy framework that is more supportive of infill and mixed-use development. This is an ongoing process that requires changes to the zoning code (i.e. the mixed-use ordinance), continued public support for catalyst projects such as the Downtown projects described, and a sustained effort to ensure that all city departments understand the goals and challenges of mixed-use and infill development.

Chapter 5. Economic Impacts of Transit

This chapter provides a short summary of key points from the literature on the impact of transit on land values, development, and economic revitalization. The publications referenced here represent only a few of the studies that have been completed.

Most studies find a positive impact on land and real estate values near rail stations.[9] Studies in cities as different as Chicago, Dallas, and Washington, DC have reached similar conclusions. For example, one study in Dallas (Weinstein and Clower, 1999) found that office properties near suburban rail stations appreciated 53 percent more than comparable properties not served by rail, while residential properties in station areas increased their value 39 percent more than comparable properties in other locations.

Although Dallas is similar to Fresno in some ways—i.e. it is a low-density, auto-oriented city in which transit was not a major shaping force—it is difficult to determine how much impact a transit system would have in Fresno. Brokers do not see proximity to bus lines as being a factor in location decisions either for firms or developers, and for most of the population it is not considered a particularly large factor in residential location decisions, either. However, the existing bus system is clearly very different from a high capacity transit system such as light rail, bus rapid transit, or monorail.

Despite compelling evidence of a positive impact of transit on land values, it is important to remember that land values and real estate demand do not always follow parallel trends. Land values can sometimes rise even in the absence of sufficient demand for development that would justify construction on relatively expensive land. This could be a problem in a corridor such as Blackstone, where even without transit land values appear relatively high given the lack of demand through much of the corridor.

This phenomenon, along with other barriers to development, have led to some disappointing experiences. Loukaitou-Sideris and Banerjee (2000) examine the failure of the Blue Line light rail from downtown Los Angeles to Long Beach to generate significant economic development in the poor neighborhoods through which it passes. The authors argue that a range of pre-conditions necessary for economic development generally and transit-oriented development specifically were absent. Problems include:

- Ineffective alignment of the rail corridor and poor placement of stations given regional and local land use patterns. This stems in large part from the decision to use an existing right-of-way in order to minimize costs, expedite development of the line, and break the political "impasse" over the development of rail transit in Los Angeles.

[9] Virtually all of the research has examined rail systems. However, it is likely that a well-designed bus rapid transit (BRT) system could have a similar economic impact.

- Deteriorated urban landscape that suggests crime, poverty, and an unfavorable environment for development. This may be as much perception as reality, but it is perception of risk that drives investment decisions.
- Regulatory barriers that either complicate the development process or fail to adequately take into account the potential benefits of transit. The authors cite, among other things, antiquated zoning and subdivision regulations and the lack of lower parking requirements for affordable or transit-oriented housing in the inner city.
- High cost of land.
- Lack of institutional commitment, political will, and lack of community involvement.

Thus, while there is reason to believe that a well-designed and effective modern high-capacity transit system in Fresno could play a role in encouraging more intensive and transit-supportive land uses, this is only one of the factors necessary for success. Development will not simply follow transit. Proper choice of alignment, an active and engaged public sector, and a proper regulatory framework will be crucial for changing land use patterns in the corridors and achieving the goals and vision of the General Plan.

APPENDIX A

LIST OF PERSONS INTERVIEWED

List of Persons Interviewed

Ann S. Bierbower, Wathen-Castanos, Inc.

Denver Butler, Broker/Investor, Grubb & Ellis

Doug Cords, Retail Broker, Commercial Retail Associates

Jerry Freeman, Fresno Redevelopment Agency

Mike Garston, Retail Broker, Fortune Associates

Larry Hawkins, Larry Hawkins Realty

Robin Kane, RCK Organization

Eric D. Kjeldgaard, Non-Profit Developer, Opportunity Builders

Don Lopez, Research Director, Real Estate and Land Use Institute, California State University, Fresno

John Mahoney, Director, Real Estate and Land Use Institute, California State University, Fresno

Ann Reiter, commercial property manager

Mark Saito, land broker, Commercial Retail Associates

Mike Schuh, Senior Vice President, Office Properties Group, Colliers Tingey

Dave Stiglich, Department of Planning and Development

Tom Richards, Developer, Penstar Group

Jeff Roberts, Developer, Granville Homes

Cliff Tutelian, Developer, Tutelian & Co.

Michael Sigala, Department of Housing and Community Development

APPENDIX B

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APPENDIX C

STUDY AREA DEFINITIONS

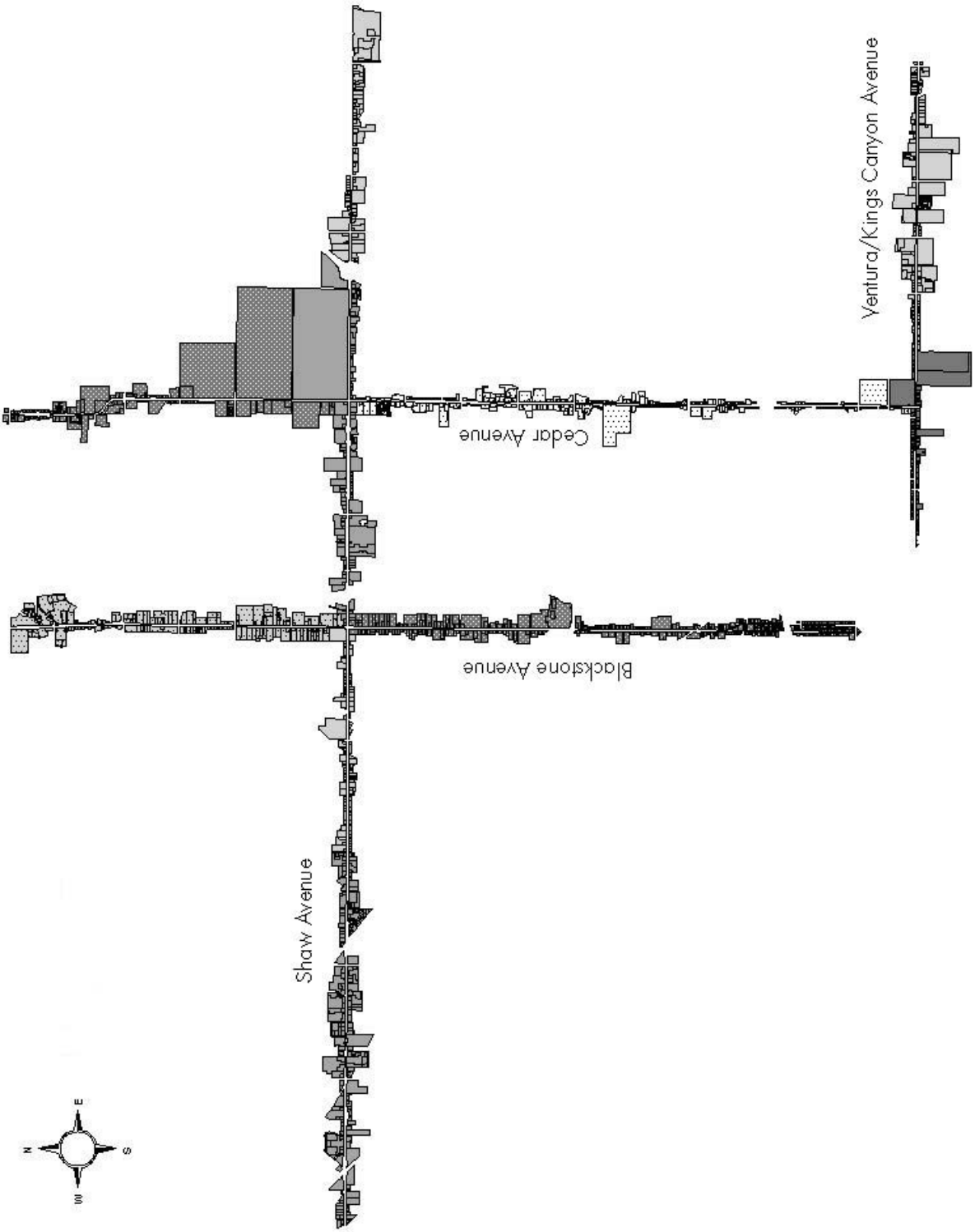
Study Area Definitions

Corridor definitions by census block groups and parcels (from the Assessor's database) are shown below.

Figure C-1 Definitions of Corridors According to Census Block Groups

Shaw Corridor		Blackstone Corridor		Cedar Corridor		Ventura/Kings Canyon Corridor		Downtown Area	
Tract	Block Group	Tract	Block Group	Tract	Block Group	Tract	Block Group	Tract	Block Group
003102	1-8	000100	1,2	001301	1-3	000400	1,4	000100	1,2
004205	1,2,4	000500	3,4	002501	3	000500	2	000200	1-4
004207	2	000600	1-4,6	002502	3	001301	1-4	000300	1-5
004209	8	002300	1-4	002601	3	001403	3	000400	3
004212	1-3	002400	3,4	002602	1-3	001404	3	000500	3
004303	4,5	003400	3,4	002701	1	001405	1,2,5	000600	1-4
004505	1,9	003500	1-3,5	002702	1	001406	1		
004506	2,3	004404	1,2	002800	3,4	002601	3		
004601	1,2	004504	1-4	003201	1,2	002602	1-3		
004602	1,3	004505	1,9	003202	1,2	002701	1		
004701	1,2	004900	1,2	003300	2-4	002702	1,2		
005000	1-4	005000	1-4	005201	1,2	002902	2		
005301	1	005100	2-5	005202	1,2	003002	3		
005302	1,2			005301	1				
005304	1,2			005302	1				
005305	1			005304	1				
005403	1,2			005305	1				
005404	1,2,3			005403	1				
005408	1			005404	1				
005602	3			005405	3				
005604	3-6			005406	3				
005704	4			005407	3				
005801	1			005408	1,9				
				005507	2				
				005510	1,2				

Figure C-2 Parcels Used in Assessor's Data Analysis



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